

AR40

**THE GOLD CREST
PRODUCTS LIMITED**



1969 ANNUAL REPORT

AR40

File

T H E

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P R O D U C T S

L I M I T E D



INTERIM REPORT

FOR THE SIX MONTHS ENDED MAY 31, 1970

INTERIM RESULTS

(SUBJECT TO YEAR-END ADJUSTMENT AND AUDIT)

EARNINGS

	FOR THE SIX MONTHS ENDED MAY 31, 1970 - MAY 31, 1969	
		(restated— note 1)
SALES	\$1,634,915	\$1,554,455
EARNINGS BEFORE THE UNDERNOTED ITEMS	\$ 7,187	\$ 104,291
ADD—INTEREST EARNED	38,287	4,800
	\$ 45,474	\$ 109,091
LESS—DEPRECIATION AND AMORTIZATION	\$ 32,500	\$ 20,800
—INTEREST ON LONG-TERM DEBT	3,031	3,751
	\$ 35,531	\$ 24,551
NET EARNINGS BEFORE INCOME TAXES	\$ 9,943	84,540
PROVISION FOR INCOME TAXES		
CURRENT	\$ 290	\$ 36,586
DEFERRED	2,053	3,343
	\$ 2,343	\$ 39,929
NET EARNINGS	\$ 7,600	\$ 44,611
NET EARNINGS PER SHARE	1¢	8¢
AVERAGE NUMBER OF SHARES OUTSTANDING	850,000	591,209

SOURCE AND APPLICATION OF FUNDS

	FOR THE SIX MONTHS ENDED MAY 31, 1970 - MAY 31, 1969	
		(restated— note 1)
SOURCE OF FUNDS		
FUNDS PROVIDED BY OPERATIONS		
NET EARNINGS FOR THE PERIOD	\$ 7,600	\$ 44,611
ADD—CHARGES NOT REQUIRING AN OUTLAY OF FUNDS		
DEPRECIATION AND AMORTIZATION	32,500	20,800
DEFERRED INCOME TAXES	2,053	3,343
	\$ 42,153	\$ 68,754
NET PROCEEDS OF SHARES ISSUED ..	—	1,461,750
FUNDS FROM TRUST (note 2)	878,603	—
Total Funds Provided	\$ 920,756	\$1,530,504
APPLICATION OF FUNDS		
PURCHASE OF FIXED ASSETS	\$ 75,995	\$ 56,895
DIVIDENDS PAID	63,750	—
REDUCTION OF LONG-TERM DEBT ..	9,000	9,000
FUNDS DEPOSITED IN TRUST (note 2)	—	878,603
SHARE ISSUE EXPENSES (not after income tax reduction)	—	9,987
Total Funds Applied	\$ 148,745	\$ 954,485
INCREASE IN WORKING CAPITAL	\$ 772,011	\$ 576,019

NOTE 1. THE EARNINGS FOR SIX MONTHS ENDED MAY 31, 1969 HAVE BEEN RESTATED TO REFLECT AN ADJUSTED MATERIAL AND LABOUR COST BASED ON THE PERCENTAGE FOR THE YEAR ENDED NOVEMBER 30, 1969.

NOTE 2. THE SOURCE AND APPLICATION OF FUNDS STATEMENT FOR THE SIX MONTHS ENDED MAY 31, 1970 GIVES EFFECT TO THE RELEASE ON JUNE 26, 1970 OF THE TRUST FUNDS AMOUNTING TO \$878,603 BY THE GUARANTY TRUST COMPANY OF CANADA.

To the Shareholders

The continued recession in the general economy to which I referred in the Annual Report has unfortunately continued through the first half of 1970 and has affected your company as it has most other enterprises.

Sales increased by approximately 5% from \$1,554,455 to \$1,634,915, but earnings decreased.

A considerable portion of this diminution was due to the cost of establishing the Futorian Line of upholstered furniture which is now being produced at the new Caledonia Road plant. Shipping commenced from this plant in June.

On June 26, 1970, the Ontario Securities Commission terminated the escrow upon the \$878,603 invested with the Guaranty Trust Company of Canada pursuant to the agreement of February 18, 1969.

Although one cannot reasonably forecast when general economic conditions will improve, we are striving to effect operating efficiencies and hope that more encouraging results will flow from these efforts before the year end.

July 16, 1970

T. D. RICHMOND, President

No Securities Commission or Similar Authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

NEW ISSUE

new file

THE GOLD CREST PRODUCTS LIMITED

(Incorporated under the laws of Ontario)

300,000 COMMON SHARES WITHOUT PAR VALUE

Price \$5.00 per share

	Price to Public	Agent's Commission	Proceeds to Company (1)
Per Share	\$5.00	\$0.1275	\$4.8725
Total	\$1,500,000	\$38,250	\$1,461,750 (2)

- (1) The shares hereby offered are offered by Jenkin Evans & Co. Limited, as Agent for the Company. There is no assurance that all or any of the shares will be sold. If \$421,397 being the minimum required, is not obtained from the subscriptions for shares within 90 days from the date of commencement of primary distribution, all monies received for such subscriptions for shares shall be returned in full to the subscribers. Reference is made to page 2 of this Prospectus under the caption "Purpose of Issue".
- (2) These proceeds are before deduction of expenses of issue estimated at \$16,750.

There is no market for the shares of the Company and the price of this offering was determined by the Company.

THE SHARES OFFERED HEREBY ARE SPECULATIVE SECURITIES. Reference is made to page 3 of this Prospectus under the caption "Speculative Nature of Securities" for the speculative factors including immediate dilution of value.

We, as Agent, offer these 300,000 common shares in the capital of The Gold Crest Products Limited if, as and when issued and accepted by us, subject to prior sale and subject to approval of all legal matters on our behalf by Messrs. Manley, Grant, Armstrong & Camisso, Toronto, and on behalf of the Company by Barnet D. Loftus, Toronto.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books without notice. It is expected that share certificates will be available for delivery on or about April 25, 1969.

JENKIN EVANS & CO. LIMITED

360 Bay Street

Toronto 1, Ontario

Telephone 362-1641

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THE COMPANY

The Company

The Company was incorporated under the laws of the Province of Ontario by Letters Patent dated the 30th day of November, 1965. By Supplementary Letters Patent dated the 27th day of February, 1969, the Company was converted from a private company to a public company and the capital of the Company was re-constituted into 1,500,000 fully paid and non-assessable common shares without par value.

History of the Company

The business was commenced on March 16, 1960, by Theodore D. Richmond and three associates under the name Gold Crest Products Limited ("Original Gold Crest"). Mr. Richmond, who is now President of the Company had previously been associated with the furniture industry since 1940.

On October 1, 1961, Original Gold Crest sold its assets and business as a going concern to a partnership of four limited companies: Florence Richmond Limited, Rose Beverstein Limited, Thelma Rosen Limited and Constance Bookspan Limited (the Gold Crest Partnership).

The shareholders of these four corporations, and the shareholders of Original Gold Crest, then sold all of their shares in these five corporations to Superpack Corporation Limited on December 1, 1961; however, the business continued to be carried on by the Gold Crest Partnership.

On December 1, 1962, Superpack Corporation Limited, a public company having its head office in Toronto, Ontario, purchased the assets of the Gold Crest Partnership and, from that date carried on the business as one of its divisions (the Gold Crest Division) until December 1, 1965, when The Gold Crest Products Limited (the Company) purchased the business.

The agreement whereby the Company purchased the business from Superpack Corporation Limited provided for the purchase of inventory at fair market value, fixed assets at undepreciated capital cost and all other assets at book value. The agreement also provided for assumption of certain liabilities of the business and the payment to Superpack Corporation Limited of \$430,000.

Following this purchase, Florence Richmond Limited, Rose Beverstein Limited, Thelma Rosen Limited, Constance Bookspan Limited and the Original Gold Crest were amalgamated with four other corporations which were also subsidiaries of Superpack Corporation Limited, to form Norcrest Limited, which corporation is still a wholly owned subsidiary of Superpack Corporation Limited, and is not connected in any way with the present Company.

Business of the Company

The Company manufactures various lines of furniture including those products commonly referred to in the furniture industry as "case goods". These products are sold throughout Canada directly and through a wholly-owned subsidiary, Ted Richmond Furniture Design Limited, to retail furniture stores, department stores and office supply houses.

The products produced by the Company include upholstered and wooden household furniture. These two categories together constituted 85% of the Canadian household furniture industry factory shipments in 1966. Through the manufacture of this range of products, together with a contract division which produces office furniture, the Company has products available to the largest part of the Canadian furniture market.

In 1966, out of 1,705 manufacturers in the Canadian furniture industry, only 81 had shipments in excess of \$1,000,000. The Company feels that it is unique even among this top 5% of the industry in Canada because it has achieved integration in its manufacturing operation which precludes dependence upon suppliers and components. The Company purchases materials in as raw a state as possible and owing to the versatility of machinery in the Company's plant, a complete integration of production from raw lumber, chipboard, paper, hardware and fastening materials to the finished product is possible. The Company also has its own fabrics designed and printed.

The present operation has in excess of 175 employees. The Company presently sells to approximately 1,000 customers in every province of Canada. The Company expects that expanded plant facilities would provide production capacity available for export sales by 1970.

The following summary indicates the growth and profitability of the business as more completely set out in the Combined and Consolidated Statement of Earnings on page 10.

	1968	1967	1966	1965	1964
Sales	\$3,231,832	\$2,348,854	\$1,604,029	\$1,417,782	\$1,447,153
Net Earnings (Loss)	176,495	73,055	35,185	(105,482)	(54,156)

Particulars of Leases

The Company's main plant at 170 Tycos Drive, Toronto, Ontario, was designed and built especially for and leased to the business in 1963. By 1967 the 55,000 square feet was not sufficient for the Company's operations and an extension of 5,000 square feet was added. In 1969 the Company, requiring additional space, leased a second building, which is now in the course of construction, comprising 25,000 square feet at 790 Caledonia Road, Toronto.

The particulars of the two leases are as follows:

170 Tycos Drive, Toronto — Annual rental approximately \$36,000, expiring July 31, 1978, with two options to renew for five years each at the same annual rate.

790 Caledonia Road, Toronto — Annual rental of approximately \$27,300, expiring March 31, 1979, with an option until May 5, 1969 to lease an additional 75,000 square feet, at the same rate of \$1.10 per square foot, on the same terms and conditions.

Other Agreements

As part of the Company's expansion program, additional production equipment was purchased in 1968. In order to finance this acquisition a loan was negotiated with the Industrial Development Bank in the amount of \$100,000. This loan is repayable March 23, 1974 and bears interest at 8.3%. The loan is secured by a chattel mortgage and floating charge debenture on the equipment owned by the Company.

By agreement dated October, 1967, John Franklin Wall, 164 Sewell Drive, Oakville, Ontario, and Imre Jack Smith, 43 Brucewood Crescent, Toronto 19, Ontario, granted to the Company the sole and exclusive license to manufacture and distribute for sale, sell and sub-license to others furniture cushions and upholstery and like products embodying new and useful improvements, all as set out in the specifications forming part of the application for Letters Patent of Canada and the United States of America and other countries made by the licensor, the license to last during the life of any patents granted to the licensor in respect to the said invention and improvements. The licensee must pay \$7,500 for the first year and \$10,000 for each succeeding year with the right of cancellation by the Company in the final quarter of any year. In addition to the minimum royalty payment, the Company must pay the expense of applying for and obtaining patents in the United States and Canada and other countries. Applications for such patents have now been filed and the Canadian Patent has been issued as Canadian Patent No. 795688. Under the terms of the agreement the Company retains full control over the filing, prosecution and issue of the patents and payment of all taxes and annuities. Patent counsel for the Company indicates that the total costs of obtaining such patents may be about \$5,400, of which \$3,900 has been paid to date.

PURPOSE OF ISSUE

If all the shares offered are sold, the net proceeds to the Company after payment of the expenses of this issue, estimated at \$16,750, will be \$1,445,000.

These funds will be used for the following purposes:

- (a) \$182,088.00 to repay various loans to companies beneficially controlled by the family of T. D. Richmond and Mrs. T. D. Richmond. For further particulars reference is made to the caption "Capitalization".
- (b) \$69,309.00 to repay Bank Loan. For further particulars reference is made to the caption "Capitalization".
- (c) Approximately \$115,000.00 for the purchase and installation of new equipment and machinery.
- (d) The balance of \$1,078,603.00 will be used to provide sufficient funds to finance the expansion of the business, both by integration and acquisition, vertically and horizontally, within the furniture industry and its allied fields. Included therein will be the funds already necessary to finance the growth in inventories and accounts receivable that will occur in 1969 consequent upon the anticipated growth in sales. The Company desires to ensure that such funds will be available without being dependent upon the vagaries of the capital markets. Until the funds are used for the purposes indicated above, all monies received from subscriptions for shares exceeding \$621,397.00 will be held in trust by Guaranty Trust Company of Canada and will be invested in investments in which the Canadian and British Insurance Companies Act states that companies registered under Part III thereof, may, without availing themselves of the provisions of Section 63 (4) invest funds, and/or in Trustee investments, and such monies will be released to the Company only upon the written consent of the Ontario Securities Commission.

The sum of \$621,397.00 (noted above) is made up of the minimum requirement set out below, together with \$200,000.00 for additional working capital required because of anticipated increase in sales for the year 1969.

If \$421,397.00 (being the monies required pursuant to provisions (a), (b) and (c) above, plus \$16,750.00 estimated expenses of issue, and \$38,250.00 commission to the Agent) is not received within ninety (90) days of the commencement of primary distribution from the subscriptions for shares offered by this Prospectus, then all monies received from subscriptions for shares will be treated as a Trust Fund and will be returned to the subscribers. In the meantime all monies from subscriptions for shares will be held in trust by Guaranty Trust Company of Canada, until such time as such monies can be turned over to either the Company, when the minimum requirement has been received, or returned to the subscribers, as the case may be, in accordance with an Agreement to this effect between the Company, Jenkin Evans & Co. Limited and Guaranty Trust Company of Canada made as of the 18th day of February, 1969.

CAPITALIZATION

Existing Capitalization

Designation of Security	Amount Authorized	Amount Outstanding as of November 30th, 1968	Amount Outstanding as of February 27th, 1969	Amount Outstanding Following the Issue of Supplementary Letters Patent and the Sale of the Shares Offered Hereby
Secured Bank Indebtedness (i)	\$200,000	\$69,309		Nil
Long Term Loan (ii)	\$100,000	\$96,000	\$93,000	\$93,000
Sundry Non-Interest Bearing Loans		182,088	182,088	Nil
Common Shares no par value	1,500,000 (iii)	3 (\$3.00)	550,000 (iv) (\$3.00)	850,000 (\$1,461,753) (v)

Long Term Leases (vi)

- NOTE: (i) Bank indebtedness secured by general assignment of Book Debts and assignment of inventories under Section 88 of the Bank Act.
- (ii) Loan was given by the Industrial Development Bank. For further particulars reference is made to the Caption "Other Agreements".
- (iii) This figure gives effect to the Supplementary Letters Patent referred to under the caption "The Company".
- (iv) The 3 issued shares having no par value as at November 30, 1968, have been sub-divided into 550,000 shares having no par value by Supplementary Letters Patent dated February 27, 1969.
- (v) This figure is based upon the Company having received the proceeds from the sale of the 300,000 shares hereby offered.
- (vi) For particulars of the leases reference is made to the caption "Particulars of Leases" on page 2 hereof and Note 5 to the Consolidated and Pro Forma Balance Sheets on Page 8 hereof.

Authorized Capital

The capital stock is the Company's only class of stock. All shares issued by the Company rank equally as to dividends and there are no indentures or agreements limiting the payment of dividends. All shares issued by the Company rank equally as to voting power, one non-cumulative vote for each share. There are no conversion rights and there are no special liquidation rights, pre-emptive rights or subscription rights. The presently outstanding capital of the Company is not subject to any call or assessment and the shares offered hereby, when issued and sold as described in this Prospectus, will not be subject to any call or assessment.

Dividends

No dividends have been paid on the Company's common shares to date.

The Company hopes to declare dividends during the fiscal year commencing December 1, 1968 of 15¢ per share payable 7½¢ per share half-yearly. The payment of further dividends by the Company will be determined by the Board of Directors on the basis of the then prevailing financial requirements, earnings and other relevant factors.

Speculative Nature of Securities

Any investment made in the shares hereby offered must be considered as speculative, since there is at the present time no market for the shares of the Company and the Company has set the price at which the shares are being offered to the public. Purchasers of the shares offered hereby will experience an immediate dilution in value thereof. Before this financing, each share of the Company had a net tangible book value of 46¢. The sale of the shares hereunder at \$5.00 per share will bring the book value to about \$2.00 per share. The increase results from the proceeds of the sale of the shares being offered hereunder.

PLAN OF DISTRIBUTION

By agreement dated the 28th day of January, 1969, the Company appointed Jenkin Evans & Co. Limited its agent to offer for sale to the public in the Province of Ontario 300,000 shares of its capital at the price of \$5.00 per share and agreed to pay a commission to the agent of 12¾ cents for each share sold. This agreement is predicated upon the Company taking the necessary steps to qualify the sale of the said shares in the Province of Ontario. The agreement provides that either party may terminate the agreement by giving to the other thirty days' written notice. The agent agreed to use its best endeavours to effect a bona fide public distribution of the said shares.

PRINCIPAL SHAREHOLDERS

The following are the names of all holders of common shares of the Company owning of record or known by the Company to own beneficially, directly or indirectly, more than 10% of the issued common shares without par value of the Company as at November 30th, 1968.

<u>Name</u>	<u>Type of Ownership</u>	<u>Number of Shares Owned</u>	<u>Percentage of Class</u>
Theodore D. Richmond	Record	1	
	Beneficially	2	100%

After giving effect to the Supplementary Letters Patent referred to under the caption "The Company", the three issued shares without par value in the capital of the Company have been subdivided into 550,000 shares without par value.

Assuming that all of the 300,000 shares offered by this Prospectus are sold, the 550,000 shares owned by Theodore David Richmond will represent 64.71% of the outstanding shares of the Company.

ESCROWED SHARES

550,000 common shares of the Company owned by Theodore D. Richmond have been placed in escrow with Guaranty Trust Company of Canada for a period of six months following the end of primary distribution of the shares being offered hereunder.

MANAGEMENT

Directors and Officers

The names and home addresses of the Directors and Officers of the Company, and the positions and offices they hold with the Company are as follows:

THEODORE DAVID RICHMOND	619 Avenue Road, Toronto, Ontario.	President and Chief Executive Officer, Managing Director
LIONEL McGOWAN	5 York Ridge Road, Willowdale, Ontario.	Vice-President and Director
KARL HEINZ GROSS	100 Hadrian Drive, Rexdale, Ontario.	General Manager and Director
NATHAN PERLMUTTER	619 Avenue Road, Toronto 7, Ontario.	Secretary-Treasurer and Director
HARRY LEWIS WOLFSON	318 Vesta Drive, Toronto 10, Ontario.	Director

The following are the principal occupations of each of the foregoing within the five years preceding the date hereof:

THEODORE DAVID RICHMOND	— President of the Company; President of Superpack Corporation Limited.
LIONEL McGOWAN	— Consultant to Taylor Woodrow of Canada Limited. Until January 31, 1969 Chairman of the Board of Directors of Taylor Woodrow of Canada Limited.
KARL HEINZ GROSS	— Plant Manager of the Company.
NATHAN PERLMUTTER	— Retired. Until June 30th, 1967, Partner of Perlmutter, Orenstein, Giddens, Newman & Kofman, Chartered Accountants.
HARRY LEWIS WOLFSON	— Consulting Economist.

Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid or payable by the Company to the senior officers and directors for the fiscal year ended November 30th, 1968 was \$60,109.00. The aggregate direct remuneration paid or payable by the Company to the senior officers and directors from the last completed financial year (November 30, 1968) to February 15, 1969 was \$12,702.00.

Pension Benefits

The Company and its subsidiary incurred a total aggregate cost of \$6,867 under an Employees Pension Plan for the fiscal year ended November 30, 1968.

Shares Held by Directors and Senior Officers

The percentage of issued common shares of the Company beneficially owned, directly or indirectly, by all directors and senior officers of the Company as a group was on February 17th, 1969:

<u>Designation of Class</u>	<u>Percentage of Class</u>
Common shares without par value	100%

Interest of Management and Others in Material Contracts

No director, senior officer or shareholder of the Company has any interest in any material transaction with the Company since its inception, save

- (a) the interest of Theodore David Richmond and Karl Gross in the management contracts referred to under the caption "Management Contracts"; and
- (b) the interest of Theodore David Richmond when the Company purchased from Superpack Corporation Limited, a public company, the business of the Gold Crest Division of Superpack Corporation Limited for \$430,000. For particulars of the transaction reference is made to page 1 of the Prospectus under the caption "History of the Company". At that time Theodore David Richmond was the President and a Director of Superpack Corporation Limited and represented a company which was owned by a Trust for the benefit of his daughters, and which company held approximately 27% of the common shares of Superpack Corporation Limited.

Promoter

Theodore David Richmond, the President and a Director of the Company and the sole beneficial shareholder as of February 17, 1969, is the promoter of the Company.

Management Contracts

By agreement dated the 1st day of January, 1969, the Company granted to Theodore David Richmond, the President of the Company, a management contract for a period of five years from the 1st day of December, 1968, ending the 30th day of November, 1973. The remuneration payable to Richmond, save for the first year, shall be such amount as may be determined by mutual consent between the Board of Directors and Richmond and may be in the form of salary, expense allowance or stock options or any combination of same. The remuneration of Richmond for the first year shall be the option to purchase 25,000 common shares in the capital of the Company at the price of \$5.00 per share, exercisable in whole or in part within twelve months of the 1st day of January, 1969, and payable thirty days after the exercise of the option or on delivery of the shares.

The Company may terminate the agreement at any time upon the terms and conditions resolved by the Board of Directors of the Company.

By agreement dated the 17th day of February, 1969, the Company granted to Karl Gross, the General Manager of the Company, a management contract for a period of five years from the 1st day of December, 1968, ending November 30, 1973. The remuneration payable to Gross shall be \$25,000 per annum, plus full pension benefits and expense allowances.

PENDING LEGAL PROCEEDINGS

On January 10th, 1968, Viewood Investments Limited, the lessor of the premises occupied by the Company at 170 Tycos Drive, Toronto, initiated an action in The Supreme Court of Ontario against Superpack Corporation Limited, the original lessee of the premises.

Pursuant to the terms of the agreement dated April 4, 1966 whereby the Company acquired the Gold Crest Products Division of Superpack Corporation Limited, the Company agreed to indemnify and save harmless Superpack Corporation Limited from all liability under the lease with Viewood Investments Limited. Accordingly any liability arising out of the lawsuit would have to be borne by the Company.

The lawsuit asks for a mandatory injunction to remove the additional building, or, in the alternative, the sum of \$15,000 damages.

It is the opinion of the Company's counsel Goodman & Goodman that the lawsuit is without merit and will be successfully defended.

MATERIAL CONTRACTS

With the exception of those contracts entered into in the ordinary course of business, the only material contracts entered into by the Company are the following:

1. The Agreement with the Industrial Development Bank described under the sub-heading "Other Agreements".
2. The Licence Agreement described under the sub-heading "Other Agreements".
3. The leases described under the heading "Particulars of Leases".
4. The Agency Agreement described under the heading "Plan of Distribution".
5. The Management Agreements with Theodore D. Richmond and Karl Gross described under the heading "Management Contracts".
6. The Minimum Requirement and Trust Fund Agreement between the Company, Jenkin Evans & Co. Limited and Guaranty Trust Company of Canada described under the heading "Purpose of Issue".

A copy of each of the above may be examined during the normal business hours at the head office of the Company during the period of primary distribution of the shares offered hereby.

AUDITORS

Perlmutter, Orenstein, Giddens, Newman & Co., 121 Richmond Street West, Toronto, Ontario, are the auditors of the Company.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the common shares without par value of the Company is Guaranty Trust Company of Canada at Toronto.

AUDITORS' REPORT

February 18, 1969.

To the Directors of
The Gold Crest Products Limited.

We have examined the consolidated balance sheet and pro forma consolidated balance sheet of The Gold Crest Products Limited and wholly owned subsidiary as at November 30, 1968 and the combined and consolidated statement of earnings for the five years ended on that date, and the consolidated statement of retained earnings for the three years ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion:

- (a) The accompanying consolidated balance sheet presents fairly the consolidated financial position of the Company and its wholly owned subsidiary as at November 30, 1968;
- (b) The accompanying pro forma consolidated balance sheet presents fairly the financial position of the Company and its wholly owned subsidiary as at November 30, 1968, after giving effect to the transactions as set out in note 2 to the balance sheet;
- (c) The accompanying combined and consolidated statement of earnings presents fairly the results of operations of those entities set out in note 1 to the statement of earnings for the five years ended November 30, 1968;
- (d) The accompanying consolidated statement of retained earnings presents fairly the results of operations of the Company for the year ended November 30, 1966, and of the Company and its wholly owned subsidiary for the two years ended November 30, 1968;

all in accordance with generally accepted accounting principles applied on a consistent basis.

(Signed) PERLMUTTER, ORENSTEIN, GIDDENS, NEWMAN & CO.,
Chartered Accountants.

THE GOLD CREST PRODUCTS LIMITED
AND WHOLLY OWNED SUBSIDIARY
CONSOLIDATED BALANCE SHEET AND PRO FORMA CONSOLIDATED
BALANCE SHEET
NOVEMBER 30, 1968

ASSETS			
Current		<u>Actual</u>	<u>Pro Forma (note 2)</u>
Cash (note 2)	\$ —	\$ —	\$ 200,000
Accounts receivable (note 3)	632,401	632,401	632,401
Inventories — at the lower of cost or net realizable value (note 3)	282,214	282,214	282,214
Prepaid expenses and sundry assets	19,155	19,155	19,155
	<u>\$ 933,770</u>	<u>\$ 933,770</u>	<u>\$ 1,133,770</u>
Investments (note 2)	\$ —	\$ —	\$ 878,603
Fixed Assets (notes 3 and 4)			
Machinery and equipment (note 2)	\$ 255,903	\$ 255,903	\$ 370,903
Leasehold improvements	83,078	83,078	83,078
Office furniture and fixtures	25,471	25,471	25,471
Vehicles	30,462	30,462	30,462
	<u>\$ 394,914</u>	<u>\$ 394,914</u>	<u>\$ 509,914</u>
Less — Accumulated depreciation	86,101	86,101	86,101
	<u>\$ 308,813</u>	<u>\$ 308,813</u>	<u>\$ 423,813</u>
Licencing Rights — at cost less amortized portion	\$ 3,607	\$ 3,607	\$ 3,607
Total assets	<u>\$ 1,246,190</u>	<u>\$ 1,246,190</u>	<u>\$ 2,439,793</u>
LIABILITIES			
Current		<u>Actual</u>	<u>Pro Forma (note 2)</u>
Bank indebtedness (notes 2 and 3)	\$ 69,309	\$ 69,309	\$ —
Accounts payable and accrued	477,423	477,423	477,423
Loans payable (including current portion of long-term loan payable) (note 2)	200,088	200,088	18,000
Income taxes payable	126,639	126,639	126,639
	<u>\$ 873,459</u>	<u>\$ 873,459</u>	<u>\$ 622,062</u>
Long-Term			
Loan payable — Industrial Development Bank			
— 8.3% due March 1974 (note 3)	\$96,000		
Less — Current portion	18,000	78,000	78,000
Deferred Income Taxes	38,507	38,507	38,507
Total liabilities	<u>\$ 989,966</u>	<u>\$ 989,966</u>	<u>\$ 738,569</u>
SHAREHOLDERS' EQUITY			
Capital Stock			
Preference — Authorized, 36,000, 6%, non-cumulative, non-voting shares, redeemable at a premium of 10%, par value \$1; issued and outstanding, nil	\$ —	\$ —	\$ —
Common — Authorized, 4,000 shares without par value, not to exceed \$4,000; issued and outstanding, 3 shares	3	3	—
Pro Forma Capital Stock (note 2)			
Common — Authorized, 1,500,000 shares without par value; issued and outstanding, 850,000 shares	—	—	1,461,753
Retained Earnings (note 2)	244,071	244,071	227,321
Surplus Arising on Revaluation of Fixed Assets (note 4)	12,150	12,150	12,150
	<u>\$ 256,224</u>	<u>\$ 256,224</u>	<u>\$ 1,701,224</u>
	<u>\$ 1,246,190</u>	<u>\$ 1,246,190</u>	<u>\$ 2,439,793</u>

On behalf of the Board:

(Signed) T. D. RICHMOND, Director

(Signed) K. H. GROSS, Director

The notes to consolidated balance sheet and pro forma consolidated balance sheet are an integral part of these statements.

THE GOLD CREST PRODUCTS LIMITED

AND WHOLLY OWNED SUBSIDIARY

NOTES TO CONSOLIDATED BALANCE SHEET AND PRO FORMA CONSOLIDATED BALANCE SHEET

NOVEMBER 30, 1968

1. **Principles of Consolidation**

The consolidated and pro forma consolidated balance sheets include the accounts of the Company and its wholly owned subsidiary, Ted Richmond Furniture Design Limited. All inter-company transactions have been eliminated.

2. **Pro Forma Consolidated Balance Sheet**

The pro forma balance sheet gives effect as at November 30, 1968 to the following:

- (i) The issue of Supplementary Letters Patent converting the Company to a Public Company, cancelling the preference shares, increasing the authorized common shares to 1,500,000 and subdividing the presently issued common shares into 550,000 common shares without par value.
- (ii) The issue and sale of 300,000 common shares without par value for \$1,500,000 less underwriters discount of \$38,250.
- (iii) The payment of expenses in connection with the share issue estimated at \$16,750. which has been written off against retained earnings.
- (iv) The payment of approximately \$115,000 for the purchase and installation of new machinery and equipment.
- (v) The addition to working capital of \$451,397 of which \$69,309 is to be applied as repayment of bank indebtedness and \$182,088 as a reduction of the following loans payable:

Bripen Investments Limited	\$121,544
Briton Investments Limited	50,503
Florence Richmond	10,041
	<u>\$182,088</u>

- (vi) The placing of the remaining net proceeds of \$878,603 in trust with the Guaranty Trust Company of Canada to be invested in securities suitable for investment by British and Canadian insurance companies or in Trustee Investments; such funds to be released from trust only upon the written consent of the Ontario Securities Commission.
- (vii) The granting of an option to the President of the Company of 25,000 common shares without par value at a price of \$5 per share exercisable at any time prior to January 1, 1970.

3. **Assets Pledged**

As security for its bank indebtedness, the Company has executed a general assignment of book debts and an assignment of inventories under Section 88 of the Bank Act.

As security for the loan from the Industrial Development Bank the Company has executed a chattel mortgage on its machinery, equipment and vehicles and a floating charge on its other assets.

4. **Fixed Assets**

The fixed assets include certain assets acquired from a predecessor company. The book value of these assets has been restated to reflect the original cost of these assets to the predecessor company less accumulated depreciation taken on a straight-line basis from the date of acquisition by the predecessor company. The excess of this restated value over their cost to the Company less deferred income taxes applicable thereto has been included on the balance sheets as Surplus Arising on Revaluation of Fixed Assets.

The balance of the fixed assets is stated at cost less accumulated depreciation taken on a straight-line basis.

5. **Long-Term Leases**

The Company is an assignee under a lease which expires July 1978 calling for annual rentals of approximately \$36,000 with renewal provisions to July 1988.

In addition, the Company has signed an agreement to lease additional premises. The agreement calls for an annual rental of approximately \$27,300 commencing April 1, 1969 and expiring March 31, 1979.

6. **Contingent Liability**

On January 10, 1968, Viewood Investments Limited, the lessor of the premises occupied by the Company, initiated an action in the Supreme Court of Ontario against Superpack Corporation Limited, the original lessee of the premises.

Pursuant to the terms of the agreement dated April 4, 1966 whereby the Company acquired The Gold Crest Products Division of Superpack Corporation Limited, the Company agreed to indemnify and save harmless Superpack Corporation Limited from all liability under the lease with Viewood Investments Limited. Accordingly, any liability arising out of the lawsuit would have to be borne by the Company.

The lawsuit asks for a mandatory injunction to remove the additional building, or, in the alternative, the sum of \$15,000 damages.

It is the opinion of the Company's counsel that the lawsuit is without merit and will be successfully defended.

THE GOLD CREST PRODUCTS LIMITED

AND WHOLLY OWNED SUBSIDIARY

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (note 1)

THREE YEARS ENDED NOVEMBER 30, 1968

	1968	1967	1966
Balance — December 1	\$ 67,576	(\$ 5,479)	\$ —
Net earnings (loss) for the year	<u>176,495</u>	<u>73,055</u>	<u>(5,479)</u>
Balance — November 30	<u>\$244,071</u>	<u>\$67,576</u>	<u>(\$5,479)</u>

The notes to combined and consolidated statements of earnings and retained earnings are an integral part of this statement.

COMBINED AND CONSOLIDATED STATEMENT OF EARNINGS (note 1)

FIVE YEARS ENDED NOVEMBER 30, 1968

	Years Ended November 30				
	1968	1967	1966	1965	1964
Sales	<u>\$3,231,832</u>	<u>\$2,348,854</u>	<u>\$1,604,029</u>	<u>\$1,417,782</u>	<u>\$1,447,153</u>
Earnings (loss) before depreciation, interest on long-term debt and income taxes	\$ 391,362	\$ 148,801	\$ 65,556	(\$ 189,543)	(\$ 79,953)
Depreciation (note 2)	33,628	15,560	12,070	9,066	7,869
Interest on long-term debt	<u>4,936</u>	<u>1,767</u>	<u>—</u>	<u>—</u>	<u>—</u>
Earnings (loss) before income taxes	<u>\$ 352,798</u>	<u>\$ 131,474</u>	<u>\$ 53,486</u>	<u>(\$ 198,609)</u>	<u>(\$ 87,822)</u>
Income taxes (notes 1 and 2)					
Current	\$ 155,447	\$ 55,795	\$ 16,434	(\$ 105,698)	(\$ 44,695)
Deferred	<u>20,856</u>	<u>2,624</u>	<u>1,867</u>	<u>12,571</u>	<u>11,029</u>
	<u>\$ 176,303</u>	<u>\$ 58,419</u>	<u>\$ 18,301</u>	<u>(\$ 93,127)</u>	<u>(\$ 33,666)</u>
Net Earnings (Loss)	<u>\$ 176,495</u>	<u>\$ 73,055</u>	<u>\$ 35,185</u>	<u>(\$ 105,482)</u>	<u>(\$ 54,156)</u>

The notes to combined and consolidated statements of earnings and retained earnings are an integral part of this statement.

THE GOLD CREST PRODUCTS LIMITED

NOTES TO COMBINED AND CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

NOVEMBER 30, 1968

1. The Combined and Consolidated Statement of Earnings reflect the operations of the business as carried on;
 - (a) for the years ended November 30, 1964 and 1965 as a division of Superpack Corporation Limited, after restatement to provide for income tax recoveries resulting from losses sustained in those years by the Division, and
 - (b) for the year ended November 30, 1966, 1967 and 1968 by The Gold Crest Products Limited except that the statement for the year ended November 30, 1966 includes net earnings of Superpack Corporation Limited in the amount of \$40,664 arising from the sale of The Gold Crest Division.

The earnings for the years ended November 30, 1967 and 1968 include the consolidated results from operations of The Gold Crest Products Limited and its wholly owned subsidiary, Ted Richmond Furniture Design Limited.

2. For the year ended November 30, 1968, the Company changed its method of recording depreciation from the reducing balance basis to the straight-line basis.

The Combined and Consolidated Statements of Earnings and Retained Earnings have been restated to reflect depreciation on a straight-line basis throughout the period and the resulting changes in deferred income taxes arising from the excess of capital cost allowances claimed for income tax purposes over the restated depreciation.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

The Securities Act, 1966 (Ontario), Sections 63 and 64, provides, in effect that where a security is offered to the public in the course of primary distribution:

- (a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by him or his agent; and
- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Reference is made to the said Act for the complete text of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

OTHER MATERIAL FACTS

There are no other material facts.

Dated the 16th day of April, 1969.

ANNUAL REPORT 1969

THE GOLD CREST PRODUCTS LIMITED

Letter from the President

This is the first Annual Report of The Gold Crest Products Limited since the public offering of its shares. Even though your Company did not attain the earnings which had been originally expected, we feel that operations have been as profitable and efficient as possible in view of the economic environment and conditions in which the entire country has found itself.

Sales increased slightly, but earnings decreased in comparison to the previous year primarily due to increased labour costs. We feel nevertheless that a sound foundation for future expansion and growth is being established.

During the year, we opened a 24,800 square foot plant on Caledonia Road for the upholstery department. This relocation resulted in moving expenses and some discontinuity of production, but it will provide improved productivity and performance. In addition, as a result of the space made available in the Tycos Drive plant, the installation of modern finishing equipment was made possible, thus adding to greater efficiency of operations.

In a further step towards vertical integration, your Company arranged for the design of its own fabrics. This proved to be more economical and provides greater versatility in the selection of materials and styles.

Since November 30, 1969, the fiscal year end, the Company has completed a licencing agreement with Mohasco Industries Inc., one of the largest furniture manufacturers and leaders in the upholstered furniture industry in the United States. The licence encompasses the bulk of their Futorian line of upholstered furniture and they will provide us with their technical expertise. In order to produce and market this additional line, we have in recent months expanded the new Caledonia Road plant by an additional 41,000 square feet.

I am confident that the expanded base of operations of the Company together with the efforts of the loyal and highly capable employees will provide positive results during the coming year.

For the Board of Directors
THEODORE D. RICHMOND, President



Toronto, Canada, May 12, 1970

Financial Summary

Year Ended November 30	1969	1968	1967	1966	1965(2)	1964(2)
Net Sales	\$3,395,900	\$3,231,832	\$2,348,854	\$1,604,029	\$1,417,782	\$1,447,153
Gross earnings (loss)	309,193	402,314	161,209	80,032	(141,189)	(64,644)
Depreciation and amortization	53,025	33,628	15,560	12,070	9,066	7,869
Interest	16,988	15,888	14,175	14,476	48,354	15,309
Income taxes	125,141	176,303	58,419	18,301	(93,127)	(33,666)
Net earnings (loss)	114,039	176,495	73,055	35,185	(105,482)	(54,156)
Earnings (loss) per share	16¢	32¢	13¢	6¢	(19¢)	(10¢)
Average number of shares outstanding during year	720,959	550,000(1)	550,000(1)	550,000(1)	550,000(1)	550,000(1)

(1) After restating the number of shares outstanding (see note 6 to consolidated financial statements).

(2) Although the company was not incorporated prior to November 30, 1965 the restated operating results for the 1964 and 1965 fiscal years are included for comparative purposes.

Auditors' Report

TO THE SHAREHOLDERS,
THE GOLD CREST PRODUCTS LIMITED.

We have examined the consolidated balance sheet of The Gold Crest Products Limited and wholly owned subsidiary as at November 30, 1969 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Companies as at November 30, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
April 30, 1970.

"PERLMUTTER, ORENSTEIN, GIDDENS, NEWMAN & CO."
Chartered Accountants.

Earnings and Retained Earnings

THE GOLD CREST PRODUCTS LIMITED AND WHOLLY OWNED SUBSIDIARY
CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS
FOR THE YEAR ENDED NOVEMBER 30, 1969 WITH 1968 COMPARISONS

EARNINGS	1969	1968
SALES	<u>\$3,395,900</u>	<u>\$3,231,832</u>
EARNINGS BEFORE THE UNDERNOTED ITEMS	\$ 263,939	\$ 402,314
Add — Interest earned	<u>45,254</u>	<u>—</u>
	\$ 309,193	\$ 402,314
Less — Depreciation and amortization	\$ 53,025	\$ 33,628
— Interest (including interest on long-term debt \$7,226; 1968 — \$4,936)	<u>16,988</u>	<u>15,888</u>
	\$ 70,013	\$ 49,516
NET EARNINGS BEFORE INCOME TAXES	<u>\$ 239,180</u>	<u>\$ 352,798</u>
Provision for income taxes		
Current	\$ 109,402	\$ 155,447
Deferred	<u>15,739</u>	<u>20,856</u>
	\$ 125,141	\$ 176,303
NET EARNINGS	<u>\$ 114,039</u>	<u>\$ 176,495</u>
EARNINGS PER SHARE	<u>16¢</u>	<u>32¢</u>
AVERAGE NUMBER OF SHARES OUTSTANDING (after restating the number of shares outstanding during 1968 (note 6))	<u>720,959</u>	<u>550,000</u>

RETAINED EARNINGS	1969	1968
BALANCE — Beginning of year	\$ 244,071	\$ 67,576
Add — Net earnings for the year	<u>114,039</u>	<u>176,495</u>
	\$ 358,110	\$ 244,071
Less — Dividends paid	\$ 63,750	\$ —
— Share issue expenses (after deduction of income tax reductions applicable thereto of \$11,446)	<u>9,987</u>	<u>—</u>
	\$ 73,737	\$ —
BALANCE — End of year	<u>\$ 284,373</u>	<u>\$ 244,071</u>

The accompanying notes form an integral part of these consolidated financial statements.

Balance Sheet

THE GOLD CREST PRODUCTS LIMITED AND WHOLLY OWNED SUBSIDIARY
CONSOLIDATED BALANCE SHEET AS AT NOVEMBER 30, 1969
WITH 1968 COMPARISONS

ASSETS	1969	1968
CURRENT		
Short-term deposit receipts (<i>note 1</i>)	\$ 71,397	\$ —
Accounts receivable	691,574	632,401
Inventories — at the lower of cost or net realizable value (<i>note 2</i>)	380,808	282,214
Due from director (<i>note 3</i>)	8,000	—
Income taxes refundable	9,252	—
Prepaid expenses and sundry assets	26,505	19,155
	<u>\$1,187,536</u>	<u>\$ 933,770</u>
INVESTMENTS (<i>note 1</i>)	878,603	—
FIXED ASSETS (<i>note 4</i>)	461,018	308,813
LICENCING RIGHTS	—	3,607
	<u><u>\$2,527,157</u></u>	<u><u>\$1,246,190</u></u>

Approved on behalf of the Board:

T. D. RICHMOND, *Director*

K. H. GROSS, *Director*

Toronto, Canada, April 30, 1970

LIABILITIES	1969	1968
CURRENT		
Bank indebtedness (<i>note 5</i>)	\$ 97,203	\$ 69,309
Accounts payable and accrued	539,432	477,423
Loans payable (including current portion of long-term loan payable)	18,000	200,088
Income taxes payable	—	126,639
	<u>\$ 654,635</u>	<u>\$ 873,459</u>
LONG-TERM		
Loan payable — Industrial Development Bank — 8.3%, due March 1974 (<i>note 5</i>)	\$78,000	
Less — Current portion	<u>18,000</u>	78,000
DEFERRED INCOME TAXES	<u>54,246</u>	<u>38,507</u>
TOTAL LIABILITIES	<u>\$ 768,881</u>	<u>\$ 989,966</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (<i>note 6</i>)		
Authorized — 1,500,000 shares without par value; issued and outstanding, 850,000 shares	\$1,461,753	\$ 3
RETAINED EARNINGS	284,373	244,071
SURPLUS ARISING ON REVALUATION OF FIXED ASSETS (<i>note 4</i>)	<u>12,150</u>	<u>12,150</u>
	<u>\$1,758,276</u>	<u>\$ 256,224</u>
	<u>\$2,527,157</u>	<u>\$1,246,190</u>

The accompanying notes form an integral part of these consolidated financial statements.

Funds

THE GOLD CREST PRODUCTS LIMITED AND WHOLLY OWNED SUBSIDIARY CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED NOVEMBER 30, 1969 WITH 1968 COMPARISONS

SOURCE OF FUNDS	1969	1968
FUNDS PROVIDED BY OPERATIONS		
Net earnings for the year	\$114,039	\$176,495
Add — Charges not requiring an outlay of funds		
Depreciation and amortization	53,025	33,628
Deferred income taxes	15,739	20,856
	<u>\$182,803</u>	<u>\$230,979</u>
NET PROCEEDS OF SHARES ISSUED	\$1,461,750	
Less — Portion thereof placed in trust (note 1)	<u>878,603</u>	<u>—</u>
REALIZATION OF INVESTMENTS	<u>—</u>	<u>15,597</u>
TOTAL FUNDS PROVIDED	<u>\$765,950</u>	<u>\$246,576</u>

APPLICATION OF FUNDS	1969	1968
PURCHASE OF FIXED ASSETS	\$201,624	\$112,699
DIVIDENDS PAID	63,750	—
REDUCTION OF LONG-TERM DEBT	18,000	122,717
SHARE ISSUE EXPENSES	9,987	—
LICENCING RIGHTS	<u>—</u>	<u>2,260</u>
TOTAL FUNDS APPLIED	<u>\$293,361</u>	<u>\$237,676</u>
INCREASE IN WORKING CAPITAL	<u>\$472,589</u>	<u>\$ 8,900</u>

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS NOVEMBER 30, 1969

1. INVESTMENTS

Pursuant to an agreement made as of February 18, 1969, an amount of \$878,603 was placed in trust with the Guaranty Trust Company of Canada out of the proceeds of shares issued to the public in May 1969. The agreement provides that these funds are to be invested in securities suitable for investment by British and Canadian Insurance Companies or in Trustee Investments and such funds to be released from trust only upon the written consent of the Ontario Securities Commission. The Company accordingly purchased a short-term deposit receipt from the Guaranty Trust Company of Canada in the amount of \$900,000, of which the unrestricted portion, \$21,397, is included in the amount of short-term deposit receipts shown as a current asset in the accompanying balance sheet.

2. INVENTORIES

	1969	1968
Raw materials	\$209,821	\$182,120
Work in process	94,861	38,230
Finished goods	76,126	61,864
	<u>\$380,808</u>	<u>\$282,214</u>

3. DUE FROM DIRECTOR

In July 1969, the Company advanced to a director approximately \$27,000 which amount was repaid in the same month. An additional amount of \$8,000 was advanced in November and repaid in December.

4. FIXED ASSETS

	1969	1968
Machinery and equipment	\$400,484	\$255,905
Leasehold improvements	114,020	83,078
Vehicles	30,462	30,462
Office furniture and fixtures	26,353	25,471
Electric sub-station	25,218	—
	<u>\$596,537</u>	<u>\$394,916</u>
Less—Accumulated depreciation	135,519	86,103
	<u>\$461,018</u>	<u>\$308,813</u>

The fixed assets are stated at cost less accumulated depreciation except for certain assets acquired from a predecessor company. The book value of these assets has been restated to reflect the original cost of these assets to the predecessor company less accumulated depreciation taken from the date of acquisition by the predecessor company. The excess of this restated value over their cost to the Company, less deferred income taxes applicable thereto, has been included on the balance sheet as Surplus Arising on Revaluation of Fixed Assets in the amount of \$12,150.

5. ASSETS PLEDGED

As security for its bank indebtedness, the Company has executed a general assignment of book debts and has pledged the inventories under Section 88 of the Bank Act.

As security for the loan from the Industrial Development Bank, the Company has executed a chattel mortgage on its machinery, equipment and vehicles and a floating charge on its other assets.

6. CAPITAL STOCK

On February 27, 1969 the Company obtained Supplementary Letters Patent authorizing —

- (a) The conversion of the Company from a private Company to a public Company,
- (b) the cancellation of the 36,000 authorized and unissued, 6%, non-cumulative, non-voting, redeemable preference shares,
- (c) the increase of its authorized common shares to 1,500,000 shares without par value,
- (d) the subdivision of the original three issued common shares into 550,000 shares without par value.

The capital stock of the Company as at November 30, 1969 is as follows:

550,000 shares as at the beginning of the year (after giving effect to the subdivision indicated above)	\$ 3
300,000 shares issued to the public during the year for \$1,500,000 cash less commission of \$38,250	1,461,750
<u>Total 850,000 shares</u>	<u>\$1,461,753</u>

As at November 30, 1969, 25,000 shares of the capital stock of the Company were reserved for the President of the Company pursuant to an option to purchase such shares at the price of \$5.00 per share. This option expired on January 1, 1970 without any exercise thereof.

7. LONG-TERM LEASES

The aggregate minimum annual rentals payable under existing long-term leases expiring in 1978 and 1979, including additional premises leased as of March 1, 1970, amount to \$110,100.

8. PENDING LITIGATION

There is a lawsuit pending against the Company concerning certain of the premises leased by the Company. The amount which would be payable by the Company if the plaintiff were successful is not expected to exceed \$15,000.

It is the opinion of the Company's counsel that the lawsuit is without merit.

9. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid for the year ended November 30, 1969 by the Company and its subsidiary to directors and senior officers (as defined by The Corporations Act, Ontario) amounted to \$79,493 (1968 — \$82,855).

10. SUBSEQUENT DIVIDENDS

On December 31, 1969 the Company declared dividends totalling \$63,750 which were paid on January 30, 1970.

THE GOLD CREST PRODUCTS LIMITED

Officers

T. D. Richmond, *Chairman of the Board and President*

L. McGowan, *Vice-President*

N. Perlmutter, *Secretary-Treasurer*

Directors

K. H. Gross

B. D. Loftus

L. McGowan

N. Perlmutter

T. D. Richmond

Auditors

Perlmutter, Orenstein, Giddens,
Newman & Co.

General Counsel

Barnet D. Loftus

Head Office

920 Caledonia Road
Toronto, Ontario

Registrar and Transfer Agent

Guaranty Trust Company of Canada

